
The World of Speculation and Green Bonds

Suzano, the world's largest producer of eucalyptus pulp, is seeking to intensify its operations with so-called 'green bonds' as a way to finance its expansion projects. This article aims to translate the technical tangle set up for these new speculative operations and reflect upon large-scale corporations' new tactics of accumulation.

It was with the slogan "Our purpose is renewing life inspired by trees" that Suzano Papel e Celulose corporation launched its publicity material relating to its results for 2020. The document seeks to show the first consequences of recent mergers and acquisitions, which have turned Suzano into the world's largest producer of eucalyptus pulp. The publication focuses on presenting the fact that what moves the company's production activities – much more than profits – is providing solutions. By 2030, it aims to replace 10 million tons of plastic and other oil-based products with vegetable-based products, as well as removing 40 million tons of CO₂ from the atmosphere through the expansion of tree plantations. According to the report, beyond environmental questions, Suzano plans to lift some 200,000 people out of poverty in the areas where it has activities.

These and other measures are in Suzano's crosshairs with the aim of intensifying its operations with *green bonds* as a way to finance its expansion and competitiveness projects. According to the company, one of the main results in 2020 was its pioneering bond issue (Sustainability-Linked Bond) that was able to raise US\$1.25 billion, against the promise of a 15% greenhouse gas emission reduction by 2030.

Our reading is that the report referenced reveals the media effort by major agro-industrial enterprises to mask the objectives of their predatory accumulation logic. In order to understand this process better, one must reflect upon large-scale corporations' new accumulation tactics, especially their involvement in the so-called *green economy*.

First steps

Let us try, therefore, to translate the technical tangle set up for these new speculative operations in this long period of the worldwide crisis of capital. Perhaps one of the major difficulties we face in understanding the *dominance of speculative accumulation* over productive capital and other forms of appropriation of socially-produced wealth is the way of conceiving economic movements. One often sees definitions that the term *economics* originates in the Greek words *oikos* (home) and *nomos* (to manage), thus suggesting a certain link with domestic activities, based on which one might explain human choices surrounding societies' production, distribution and consumption over time.

Simplifications such as this end up hiding the fact that under capital's relations, so-called *distribution* does not orient completely the wealth produced toward households' final consumption. Rather, it mostly goes toward an intense process of accumulation. Under capitalism, accumulation has been the path for corporations to become big, strong and competitive, constituting economic conglomerates capable of commanding a diversified set of forms of appropriation of ever larger slices of the wealth produced on the world scale.

Hence, accumulating means reapplying resources conquered in their own expansion and penetrating market segments by means of large-scale competitive disputes between capital units (whether as factories, banks, commercial houses, landed property or speculation).

Out of these domestic simplifications about the capitalist economy, a rather convenient fantasy has also been born: *abstinence theory*. According to this, corporations emerged on the basis of decisions made by entrepreneurial people, who yielded on consuming a reasonable part of what they had earned from their work and were willing to employ such savings in favor of social production. This legend also leads to the illusion that the development of large-scale companies is necessary, in order to employ the large contingent of people that preferred not to abstain from consuming and spent everything they earned in their lifetime. Without these employment opportunities, these people would not be able to live – so the tired, repetitive formula insists.

Fallacies aside, we know that since the mid-19th century, there has been a separation between the property and the management of capital. Initially, banks supplied credit to fund major ventures. But soon afterward, stock markets were created and the banks gradually merged with productive capital, thus creating large-scale corporations.

Hence, major investments started being financed via borrowing but also via the sale of shares in the property of corporations. To this end, new institutions were created, the so-called *stock markets*, which operate on an international scale, intermediating the buying and selling of such shares. While the option for loans meant the issuing of bonds by borrowing companies, in the case of shares placed on stock markets, companies started opening up their own capital for the entry of a large number of partners, some of whom with voting rights on company boards, but mostly completely anonymous and with no say in management.

In this process, debentures also emerged. These are debt bonds that are convertible into shares of the borrowing company in case the debt is not liquidated within the established time frame. Therefore, one notices that the purchase and sale of companies' shares on stock exchanges, as well as the possibility of exchanging bonds for shares, brings about a continuous ownership exchange, making it impossible to determine exactly who all the owners of companies are. Whoever holds shares with voting rights chooses and hires executive managers to administer corporations' units around the world. Such managers may be remunerated with a slice of companies' profits, but also with shares.

The escalation toward the dominance of speculation

Ever since the creation of credit systems, part of the commitments taken on by borrowers represents mere speculation about the business risk. As well as the interest to be paid, loan agreements always add to the debt a risk fee, as a way to compensate potential losses from delinquent borrowers, even if this never actually takes place.

When stock exchanges operate normally, purchases and sales of shares are operated based on prospects for future distribution of profits (dividends) by companies to their shareholders, with share prices tending to go up or down and no major oscillations. However, one shareholder or another may wish to sell a large number of shares, thus generating a certain amount of speculation about the motives for the decision. In the absence of immediate buyers, the price of the shares offered tends to fall and may depreciate the shares of all the companies. This shows that irrespective of companies' performance in terms of actual production and revenue, the price of their shares can go up or down out of mere speculation on the stock exchange.

Starting in 1971, speculation with company bonds and shares gained renewed motivation with the international dissemination of so-called *secondary markets*. In that year, the United States decided to break the agreements signed at the end of the Second World War that maintained fixed exchange rates between all countries' currencies and the dollar, with the US committing to maintain direct convertibility between its currency and gold.

With the breakdown of the international monetary standard, interest rates began to oscillate, thus generating a new wave of globalized speculation. From then on, primary bonds, where public and private loan contracts were signed, or purchase and lease options, together with companies' shares, started backing a series of bets on future prices in gigantic proportions.

Thus there emerged so-called *derivatives*, traded on secondary markets. These are contracts that derive from primary debt bonds or shares, to operate a speculative transaction normally linked to bets on the future variation of prices of goods and services, exchange rates or interest rates practiced in various countries. From there emerges the term *speculative merry-go-round*, truly a worldwide casino, which reproduces fictitious wealth on a gigantic scale as a form of parasitic accumulation, ever more distant from the production of real wealth. It is estimated that the current volume of derivatives is worth 10 times the world's GDP.

This new stage of globalized speculation has been a consequence of the deepening of a long-running crisis of capital overproduction. This has meant that ever larger amounts of surplus capital are used in bets about future values, in search for alternatives to the difficulties in applying capital productively at reasonable returns. Despite resulting from simple bets about the future, derivatives are socially recognized as real wealth and afford commanding power over economic operations to its holders in the present.

Speculation with green bonds

In this global climate of dominance of parasitic speculation, it was not long before derivatives became an opportunity for accumulation involving global debates about environmental collapse. In the face of the difficulties in controlling deforestation and the emission of pollutants on a world scale, *international summits* ended up yielding to the appeals for the commodification of the protection of nature, creating so-called *payments for environmental services* (PES).

The proposal has been about disseminating and consolidating the idea of the possibility of *compensation for environmental damage*. Hence, companies and private institutes develop sophisticated ways of putting a market price tag both on the emission of pollutants and the *provision of environmental services*. The intent is to show that it is possible to quantify and compensate the ecological devastation produced by industrial expansion projects.

The neological creativity stands out with the idea of *polluter-payer* companies. This makes it possible to measure, via market prices, the volume of biodiversity devastated and offset it with some kind of preservation project in another commodified ecosystem.

Corporations can take part in these PES programs on the basis of the expansion of their traditional monoculture tree plantation projects. From being devastators of nature they become promoters of environmental offsets, based on projects to *store carbon* in the trees planted. This has been possible inasmuch as the State takes a step back from fostering environmental policies, leaving regulation in the hands of private companies and institutes. The latter start acting as certifiers and measurers of the payments that must be made over the duration of such environmental services projects, as well

as being responsible for the evaluation of results.

Given that these PES agreements are formalized through long-term contracts, they generate future *receivable rights*, in other words, rights to payment in future for the provision of environmental services over the course of projects' execution. Hence, large volumes of receivables for environmental services become the backing for the issuance of derivatives negotiated on the basis of bets on exchange rates, on interest rates and especially on prices that may be reached by the very commodities produced as a result of *offset projects*.

Final remarks

There seems to be at least one more explicit objective to these corporations' new tactics. They find the best way to adapt to agreements reached at international summits around mercantile solutions for the crises that are currently coming together. So they make the most of the moment of global tension to solve structural funding problems, whether linked to old debts or to the demands for expansion of their production activities. The old credit lines, which demanded total quality and cost reduction targets, have been joined by new fundraising approaches linked to the production and reproduction of long-term receivables, through PES contracts and commitments to reduce the emission of pollutants.

The primary operations in the issuing of so-called green bonds are supplied by the dissemination of flows created by the official recognition of the mercantile concept of polluter-payer companies. At the same time, the gambling circuits in derivatives markets have found yet another impulse for their parasitic reproduction based on PES contracts and similar receivables.

Hence, it is not surprising that large-scale pulp producing corporations such as Suzano are operating and expanding with a portfolio of such high-risk liabilities. This is the nakedly harsh reality that dominates the world of big business all over the capitalist world, with less and less control exerted by government authorities.

Without the usual simplifications, it is possible to notice that public and private indebtedness has become an opportunity for the creation of ever more creative instruments for parasitic speculation. The risk of an unprecedented economic collapse has shown signs of being imminent, but this has been the reality in the face of capital's generalized incapacity to overcome the great depression that has deepened in the early 21st century. Meanwhile, the commitments made by corporations to formal sustainability are building up, under the regulation of institutions created and contracted by the predatory mercantile relations themselves, which further increases the risk to the continuity of life on the planet.

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